File No. **66**

19 36.

Collection No.

Mysore Residency

Bangalore

5.7.47

Pros. Serial Nos. 1 – 41.

Subject.

Income Tax Circulars issued by the central Board of Revenue

Previous References.

Indexed

Later References.

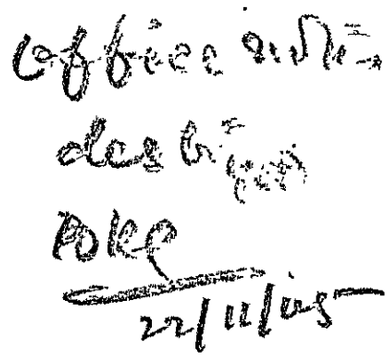
97 of 1937.

'A'

31/10/45

S. 97.—(Blue).

MFP—1367 S&P—(M-1907)—8-3-35—60,000.



CORRESPONDENCE.

R.Dis.No.605(i)-I.T./35.
CENTRAL BOARD OF REVENUE.
New Delhi, the 13th December 1935.

From

Rai Bahadur Pandit Ram Nath, B.A.

Second Secretary, Central Board of Revenue.

To

The Commissioner of Income-tax,

Central & United Provinces.

Sir,

Allowances in assessing business income - Depreciation - Tube-well tools and plant - Percentage allowed - Saroup and Bansilal (Engineers).

With reference to the correspondence ending with your letter No.610/35, dated the 19th November 1935, I am directed to state that, as stated in the letter of the Secretary to the Government of the United Provinces No.908-ID/158B-431W of 1935, dated the 12th November 1935. the depreciation in the case of boring pipes depends on the number of bores sunk by the pipe used. One set of ordinary boring pipes may therefore be useful for 12 to 16 bores while with cheaper pipes, the depreciation which depends upon the quality of pipes used, may be greater. The depreciation allowance at a certain percentage on the original cost is meant for machinery plant etc. which are constantly in use and is not intended for such tools and plant as boring pipes which are to be used only when a tube-well is to be sunk, as the depreciation may be nothing if a pipe is not used at all and may be 100% if 12 to 16 pipes are sunk in a year. In the Board's view, therefore, the most equitable course would be to allow the

/cost.....

cost of replacement of boring pipes as is done in the case of furniture. I am therefore directed to request that necessary instructions may be issued to the Income-tax officers. Depreciation allowance at the prescribed rate of 10% should however be allowed when it is specially asked for by the assessee and in that case the cost of replacement should not be allowed. I am to add that in the case of plant and tools of the tube-well boring plant, with the exception of boring pipes, no replacement should be allowed but depreciation allowance at the prescribed rate of 10% should be given.

I have the honour to be,
Sir,
Your most obedient servant,
Ram Nath
23-12-35

Second Secretary, Central Board of Revenue.

Copy of the correspondence forwarded to other Commissioners of Income-tax, for information and guidance.

By order, etc.,
Ram Nath
23-12-35

Second Secretary, Central Board of Revenue.

DR.
14/12/35.

OFFICE OF THE RESIDENT IN MYSORE
BANGALORE
6 JAN. 1936
Regd. No. 129
File. No.

Copy of letter C.No.605-I.T./35 dated the 3rd August, 1935, from Second Secretary, Central Board of Revenue, to the Commissioner of Income-tax, Central and United Provinces.

Allowances in assessing business income - Depreciation - Tube-well tools and plant - Enhanced rate - Saroup and Bansilal (Engineers).

I am directed to enclose a copy of the letters Nos.B.S./7590, dated the 6th July 1935 and B.S./7679, dated the 19th July 1935 from Messrs. Saroup and Bansilal, Engineers, Lahore. It is not possible to accept the firm's suggestion because legally nothing but an annual percentage basis can be adopted. But the Board proposes to consider whether there is any case for increasing the rate of 10% at present allowed on tube-well boring plant. It appears from the firm's letter last quoted above that the Irrigation Development Department of the United Provinces Government have adopted an extensive programme of sinking tube-wells in those Provinces. I am accordingly to request you to consult the Local Government in the matter and furnish the Board with information on the following points:-

(1) whether the case of the boring pipes is somewhat comparable to that of "below ground" plant in oil wells in which case 100% depreciation is allowed: and

(2) what proportion (by value) of an ordinary equipment consists of the boring pipes.

Copy of letter No.BS/7679 dated 19/20th July 1935, from Messrs. Saroup and Bansilal Engineers the Mall, Lahore to the Second Secretary, Central Board of Revenue, Simla.

Allowances in assessing business income - Depreciation - Tube-well tools and plant - Percentage allowed - Saroup & Bansilal Engineers.

We beg to acknowledge with thanks receipt of your letter No.605-1T./35, dated the 13th inst. and note that a further communication on the subject will be sent to us at a later date.

With regard to last portion of your letter, the necessity for taking up this matter has now arisen on account of the intensive programme of Tube-Well sinking adopted by the Irrigation Development Department in U.P. Normally the Tube-well Contractors like ourselves were called upon to sink Tube-Wells here and there occasionally whereas the Irrigation Development Divn. programme calls for sinking of Tube-Wells at a very rapid pace with the result that the Boring Tools & Plant get deteriorated and practically cease to exist before the year is out, as such unless this matter is looked into from the point that we have sug ested; Income-Tax would be levied and assessments made on stocks that will not be in existence. We trust this fact will be kept in view in arriving at a decision on the representation made by us.

Copy of letter No.BS/7590, dated the 6th July 1935, from Messrs. Saroup & Bansilal, Engineers, the Mall Lahore to the Secretary, Central Board of Revenue, Simla.

We are a Firm dealing in Tube-Well Boring in which line we specialise. While being assessed for the last year for Income-Tax, the Income-Tax Officer pointed out to us that in the Income-Tax Manual only 10% per annum depreciation was allowed on Tube-Well Tools & Plant. We beg to submit that this allowance of 10% per annum is not what it ought to be. The depreciation on Tubewell Tools & Plant should not be calculated on the per annum basis. It should be taken on per Bore or per Tube-Well installed as the depreciation depends upon the use to which the Tools & Plant are put in.

In this connection, we beg to invite your attention to the report of the Committee consisting of Tube-Well Specialists published by the Public Works Department, Punjab Irrigation Branch, under Ref. Class E-No.9.

In this report, a Schedule is given under Statement No.5 showing expert opinions as to approximately life of Plant Machinery employed in connection with construction of Tube-Wells.

For ready reference, we are enclosing herewith a copy of this Statement.

The question of depreciation on Boring Tools & Plant is of very great importance to us, as we have a number of Contracts with the United Provinces Govt., and we shall, therefore, thank you to kindly look into this matter and let us have your decision in the matter at

your.....

your very early convenience.

We shall be obliged if you will kindly let us know as to when we may expect a decision in this matter.

APPENDIX C - concluded.

STATEMENT NO.(5) - SHOWING VARIOUS OPINIONS AS TO APPROXIMATE LIFE OF PLANT MACHINERY EMPLOYED IN CONNECTION WITH CONSTRUCTION OF TUBE-WELLS.

Name of Articles	Agricultural Engineer to Government, Punjab	Superintending Engineer Public Health, United Provinces.	Punjab Irrigation Department	Superintending Engineer Public Health Bihar & Orissa.	Superintending Engineer Public Health Public Works Department Bombay.
1. Boring Pipes -					
(a) Steel	1-- 1½ years	¾) 10 bores	(4 bores		4 months(rock)
(b) Manilla	¾ - 1 year	0)	(1 bore		6 months(soil)
2. Tripods -					
(a) Tripods	8 - 10 years	) 10 bores			20 years.
(b) Sheer Legs	6 - 8 years	)			
3. Casing Pipes	7' 4 - 5 years	)			
	10 - 0, 9 - 10 years	) 3 bores			25 years
	18 - 0	)			
4. Winches -					
(a) Hand	5 - 6 years	) 10 bores		On the average about 19 tube-wells or 5 years which ever is the shorter	
(b) Power	8 - 10 years	)			
5. Screw Jacks	6 tons, 5-6 years				
	12 tons, 8-9 years				
	15 tons, 10-11 years				30 years
6. Clamps	2-3 years	5 bores			
7. Hydraulic Jacks	10-12 years				
8. Boring Tools	5-8 years				

104 IB - 200-30-1-34 SSGPP Lahore.

Copy of letter No.610/35, dated the 19th November 1935, from the Commissioner of Income-tax, Central and United Provinces, to the Secretary, Central Board of Revenue, New Delhi.

Allowances in assessing business income - Depreciation - Tube-well tools and plant Enhanced rate - Saroup and Bansi Lal (Engineers) - Your letter C.No.605/1.T.35 dated August 3, 1935.

In continuation of my letter No.610-4/35, dated October 14, 1935, I have the honour to enclose a copy of a letter from the Secretary to Government United Provinces, Public Works Department, Irrigation Branch, furnishing the necessary particulars.

Copy of letter No.908 ID / 158B-431W of 1935 dated the 12th November 1935 from the Secretary to Government, United Provinces, Public Works Department, Irrigation Branch to the Commissioner of Income-tax, Central and United Provinces, Lucknow.

With reference to the correspondence ending with this office letter No.638-ID/158B-431W dated October 11, 1935, regarding rate of depreciation allowed on tubewell boring pipes, I am directed to say that the depreciation on proper boring pipes working in ordinary sand and clay, usually met with in the Western districts of the United Provinces is about 7% per bore i.e. one set of boring pipes can be used for 12 to 16 bores. With cheaper pipes the depreciation is greater and depends on the quality of pipes used.

2. The proportion of the value of boring pipes to the total cost of a complete boring equipment also depends on the quality and length of pipes used. For instance the cost of 9" pipes varies from Rs.4/8/- to Rs.10/- per foot according to quality. In a good set of 9" boring pipes 250' long the cost of pipes Rs.8/- to 10/- per foot) is about 50% of the total cost of the equipment.

Issued
4-2-36

S. N. 2

Res. Mysore 39.

OFFICE OF THE HON'BLE THE RESIDENT IN MYSORE,
Bangalore, the 4-2- *1936.*

No. F. 66/36
R. O. I

A copy of the undermentioned paper(s) is forwarded to the Asst. Commissioner of Income-tax, C.& M. Station, Bangalore for information and guidance.

for information, in continuation of / with reference to ~~the correspondence ending with his~~ Memorandum / letter / endorsement from

~~dated the~~

By order,

J. D. A. J. Courtney.

For *Secretary* / ~~*Asst. Secy.*~~ *to the Resident.* & Commr. of Income-tax

LIST OF PAPERS.

1 Letter from the Central Board of Revenue C.No.605-I.T/35, dated the 3rd August 1935 with enclosures

Letter from the Commr. of Income-tax, Central & United Provinces No. 610/35, dated the 19th September 1935 with enclosure

Letter from the Central Board of Revenue R.Dis.No.605(i)-I.T./35, dated the 13th December 1935

1621—2-4-1935—2,000—RPB.

S.N 3

OFFICE OF THE RESIDENT IN MYSORE
BANGALORE.
12.3.36
Regd. No. 1584
File. No. 66/36.

D.A.Dis.No.1037-I.T./35.
CENTRAL BOARD OF REVENUE.
NEW DELHI, the 31st January 1936.

Index int. (11)

From

Rai Bahadur Pandit Ram Nath, B.A.,

Second Secretary, Central Board of Revenue,

To

The Commissioner of Income-tax,

Central and United Provinces.

Sir, 66/36

Accounts - Composition fees - Classification of, in - Taxes on income -.

In reply to your letter No.689/35, dated the 12th December 1935, I am directed to enclose a copy of a letter from the Auditor-General in India to certain Accountants-General, No. 71-Ac/9-36, dated the 30th January 1936, from which you will see that it has been decided that Composition fees recovered under section 53(2) of the Indian Income-tax Act, 1922, should be classified in the accounts as "Ordinary collections". I am to add that in the departmental returns Composition fees should continue to be shown as at present under "Miscellaneous".

I have the honour to be,

Sir,

Your most obedient servant,

Sd/-Ram Nath,

Second Secretary, Central Board of Revenue.

Copy of correspondence forwarded to other Commissioners of Income-tax.

By order, etc.,

Ram Nath 6-2-36

Second Secretary, Central Board of Revenue.

N:C.
4-2-'36.

Copy of letter No.71-Ac/9-36., dated the 30th January 1936, from the Auditor-General in India, New Delhi, to the Accountants-General, Central Revenues, Madras, Burma, Punjab, Bengal and the Comptroller, North West Frontier Province.

Subject:—Classification of Composition fees recovered under Section 53(2) of the Income-tax Act, 1922.

I have the honour to invite a reference to footnote (6-A) in Appendix 7 to the Audit Code, Volume II which provides inter alia that recoveries under the provisions of the Income-tax Act, such as penalties recovered from defaulting assessees, should be classified as ordinary collections of Income-Tax Revenues under the Minor head "Income-Tax". From a reference received from the Government of India it appears that in regard to composition fees realised under Section 53(2) of the Income-Tax Act the practice in your office is to classify the receipts under the Minor head "Miscellaneous" subordinate to the Major head "II-Taxes on Income". Composition fees are of the nature of penalties recovered under the provisions of the Act and should therefore be classified in the accounts as Ordinary Collections under the Minor head "Income Tax".

Copy to other Provincial Accountants General and the Comptroller, Assam for information.

******

N.C.
5-2-'36.

Copy of letter No.689/35, dated the 12th December 1935, from the Commissioner of Income-tax, Central and United Provinces, to the Secretary, Central Board of Revenue, New Delhi.

Indian Income-tax Act, 1922 - Section 53(2) - Composition fees - Classification of, in public accounts.

The Accountant-General, Central Provinces, in his letter C.No. DsV-C/847 dated September 7, 1935 (copy enclosed) has raised a question relating to the classification of composition fees in Public Accounts. His contention, based on the second sentence of Rule 6A in Appendix 7 to the Audit Code, Volume II, appears to be that composition fees should be classified and credited to the head "Ordinary Collections" and not to the sub-head "Miscellaneous" which was opened under the order of the Auditor-General in his letter No.AC/861-28-27 dated March 31, 1927, a copy of which was forwarded to this office under Board's endorsement D.Dis.No.230/I.T.-27 dated June 4, 1927

2. Enquiries made with the other Commissioners of Income-tax, have revealed the following practice in various provinces:-

Name of the province -	Practice.
1. Bombay	The Departmental receipts are credited to the head "Miscellaneous" while in the Accounts Office, such receipts are credited to "Ordinary collection."
2. Punjab, N.W.F. & Delhi Provinces.	The receipts are credited to the head "Miscellaneous" both by the Departmental & Accounts Officers.
3. Madras	-do-
4. Burma	-do-
5. Bengal	-do-
6. Behar & Orissa	There was no occasion to recover composition fee.

3. In the Departmental Returns composition fees are exhibited against serial 12(a) of Return No.I. I am inclined

to

to think that the Departmental practice is correct and may be extended to the classification of Public accounts as well. If the Board agrees with this view, I request that Rule 6A in Appendix 7 to the Audit Code, Volume II may kindly be amplified accordingly or necessary instructions may be issued in order to reconcile the position.

Copy of letter No.D.S.V.C/847 dated the 7th September, 1935, from the Accountant-General, C.P., to the Commissioner of Income-tax, C.& U.P., Lucknow.

Subject:- Classification of composition fees.

I have the honour to return herewith the discrepancy statement for the month of February 1935 received with your endorsement No.29-101/34 dated the 1st July, 1935, and to state as follows.

2. The revenue and receipts of the Income-tax Department are classified in the accounts of this office under three minor heads, namely (i) Super-tax, (ii) Income-tax and (iii) Miscellaneous. The minor head (ii) Income-tax, is further subdivided under the following sub-heads, namely:-

(a) Deductions by Government from salaries & pensions
(b) Deductions from interest on Govt. securities,
(c) Ordinary collections,
(d) Deduct refunds,
(e) Net income-tax.

All revenue and receipts relating to "Income-tax" other than those under the sub-heads(a) and (b) above, are classified in the accounts of this office under the sub-head "(c) Ordinary collection".

3. A reference in this connection is invited to the

second ...

second sentence of Rule 6A in Appendix 7 to the Audit Code, Volume II, which lays down that recoveries under the provisions of the Income-tax Act, such as penalties recovered from defaulting assessees, should be classified as "Ordinary collections" of income-tax revenue. "Composition fees" are recovered under section 53(2) of the Income-tax Act and as this section appears in the Act under the heading "Offences and Penalties" the fees are of the nature of penalties and are therefore classified under the sub-head "Ordinary collections" in accordance with the rule mentioned above. For the same reason, the item of Rs.1000 on accounts of these fees referred to in your endorsement No.447-4/34 dated the 1st August 1934 was ultimately reclassified to the head "Income-tax -Ordinary Collections" in the accounts for 1934-35.

4. As regards the third minor head "Miscellaneous" mentioned in para 2 above, that minor head is not the same as that shown as serial no.12 in Return No. I on page 121 of the Income-tax Office Manual. The minor head "Miscellaneous" in the accounts of this office is intended for the classification of receipts representing recoveries of expenditure in the Income-tax Department which cannot be brought to account by deduction from expenditure, such as, recoveries of overpayments in previous years, rents of buildings, recoveries of copying fees, vide the first sentence of Rule 16A in the Appendix to the Audit Code referred to.

5. As stated in para 3 above, the receipts on account of "penalties" are included in the accounts of this office under the sub-head "Ordinary collections" although they are shown separately against serial no. 11 in the form of Return No.I on page 121 of the Income-tax Office Manual and similarly, the receipts on account of "Composition fees" are also classified under the same subhead "Ordinary collections" although

they are required to be shown separately in your Return against serial no.12.

6. I shall be much obliged if you will kindly state whether, in the circumstances explained above, you agree to the classification of "composition fees" followed in this office.

N.C.
5-2-'36.

Issued
Res 13/2/36
Issue 16/2

Res. Mysore 39.

OFFICE OF THE HON'BLE THE RESIDENT IN MYSORE.

Bangalore, the 11 – 3 —— *193*

No. F. 66/36.
R. O. 1.

A copy of the undermentioned paper ~~is~~ is forwarded to the Assistant Commissioner of Income-tax, C. & M. Station, Bangalore for information and guidance.

~~for information,~~ ~~in continuation of~~ / ~~with reference to~~ ~~the correspondence ending with his~~ ~~Memorandum~~ / ~~letter~~ / ~~endorsement~~ ~~from~~

~~No.~~ ~~dated the~~

By order,

S. A. J. Courtney

~~Secretary~~ / *Asst. Secy.* *to the Resident.*

LIST OF PAPERS.

S.N.3. Letter from the Central Board of Revenue D.A.Dis.No. 1037 - I.T./35, dated the 31st January 1936 with enclosures.

P. W. 2 (Pages 11-16)

Y. Nw. 14.2.36.

1621—2-1-1936—2,000—RPB.

S. N. 5

118

D.O. R.Dis.No.973-I.T./33. CENTRAL BOARD OF REVENUE.

NEW DELHI, the 26th February 1936.

2386
dt 3b

My dear (C.I.Ts, Major Provinces except Punjab),

Indian Income-tax Act, XI of 1922 - Section 21 - Rent-free quarters - Information regarding.

Your demi-official letter No. . . . . .

From the replies received to my demi-official letter C.No.973-I.T./33, dated the 6th September 1935, it is observed that so far as private employers are concerned, the information regarding rent-free quarters occupied by their employees is generally furnished in the annual return under section 21 of the Indian Income-tax Act and no difficulty arises in practice in any province in assessing the rent free quarters of private employees. As regards Civil Departments, the majority of the Commissioners are not in favour of any special action except that the Disbursing Officers and others should be specifically asked to furnish the information in column 3(a) of the Schedule Form (I.T.47) as regards the value of rent free quarters. The Board agree with this view and would request you to address the authorities concerned accordingly.

2. As regards military officers the Defence Department of the Government of India is being asked to issue the instructions suggested in paragraph 2(3) of my demi-official letter of 6th September 1935.

Yours sincerely,

Sd/-A.H.Lloyd.

To

All Commissioners of Income-tax,
Major Provinces (except Punjab).

Copy, with a copy of the Board's demi-official letter C.No.973-I.T./33, dated the 6th September 1935, forwarded to the Commissioners of Income-tax, Minor Administrations for information and favour of necessary action.

By order, etc.,

27.2.36

Second Secretary, Central Board of Revenue.

3 MAR. 1936.

OFFICE OF THE COMMISSIONER OF INCOME TAX IN MYSORE.
MAR 3 1936
Gl. No. 1550
C. No.
Encls.

N.P.G.
27.2.36